



1600 20 Street, NW • Washington, DC 20009 • 202/588-1000 • www.citizen.org

Comments to the Committee on Public Health in Support of SB 442

Peter Maybarduk, Access to Medicines Director

March 6, 2017

Public Citizen is a national consumer advocacy organization with 400,000 members and supporters founded in 1971 to represent the public interest before Congress, the executive branch and the courts.

Americans support strong action to reduce medicine prices and end the monopoly abuses of prescription drug corporations by wide margins and across party lines. It is morally wrong that people are denied access to the medicines they need because they cannot afford them, as is the case for millions of Americans today. Taxpayer support drives medical innovation, and taxpayers deserve more in return for their support. Instead, Americans continue to pay the highest prices in the world for pharmaceuticals, or as is often the case, go without treatment because the medicine they need is unaffordable.

We can end treatment rationing and help everyone access the treatment they need to live healthy and productive lives. State legislation to fight price gouging and predatory pricing is a key aspect of this effort.

Prescription drug corporations benefit from government-granted patents and other marketing exclusivities. This allows corporations to exercise monopoly power over many pharmaceutical compounds and their derivatives. Corporations do not set their prices according to research and development costs. Instead, free from competition and absent any substantial disciplines on price, corporations can charge as much as society will pay to care for our sick. The profit-maximizing price under these circumstances is frequently not the price that would ensure universal access or stable health care costs. Instead, we have families in bankruptcy, high insurance premiums and preventable suffering and death.

While there are many problems in the chain of pharmaceutical pricing and distribution, including with middlemen, the monopoly pricing power exercised by prescription drug corporations sets a given medicine's exceptionally high price baseline. Today, those prices frequently reach tens or even hundreds of thousands of dollars.

Prescription drug corporations also increase the price of medicines year-to-year. While price spikes for EpiPen and several other lifesaving medicines have made recent headlines, the industry practice is broad. Last year's [median price increase](#) for a medicine was 8.9%, compared to a U.S. inflation rate of 2%.

[A report](#) from the Department of Health and Human Services estimates that in 2015, as a country we spent \$457 billion on prescription drugs. Relatedly, the U.S. routinely spends more than its wealthy country counterparts for the exact same medicines, sometimes much more. For example, Public Citizen joined several consumer groups in [calling for the National Institutes of Health](#) (NIH) to exercise its statutory authority to lower the price of a prostate cancer treatment priced two-to-four times as high in the U.S. as in other high-income countries, such as the UK, Canada and Germany.

Americans fund pharmaceutical research and development through the [roughly 30 billion taxpayer dollars invested](#) annually in NIH. Americans also subsidize pharmaceutical product development through [paying up to 50% of clinical trial costs for certain medicines](#). Meanwhile, the pharmaceutical industry is one of the top defrauders of the states and federal government. Public Citizen recently cataloged all major financial settlements and court judgments between 1991 and 2015, and found that drug companies entered into 373 settlements totaling [\\$35.7 billion](#) in criminal and civil penalties.

By some measures, approximately one in five Americans (19%) [do not fill their prescriptions for financial reasons](#).

In our view, under these circumstances, it is essential that states and the U.S. Congress legislate to curb prescription drug price abuse. We are attaching a list of congressional bills that Public Citizen supports. Where possible, legislation should:

- Curb monopoly power and increase competition,
- Bar or adequately penalize annual price increases that significantly exceed the pace of medical inflation,
- Crack down on pharma fraud, including but not limited to the overcharging of states,
- Improve drug price and cost transparency, by significantly expanding reporting and notification requirements related to prices, price increases, and research and development costs.

We note that Connecticut is far from alone, and that [many states](#) as well as Congress are considering such transparency legislation as we speak. The more policymakers know about drug prices, the better they will be able to evaluate industry claims and proposals for reform.

Polling indicates that reducing drug prices is a top priority for Americans:

- 85% of Americans say the prices of prescription drugs are too high, and 83% agree that “our government should ensure prescription drugs are affordable to every American”. Two-thirds favor making prescription drugs public goods paid for by the federal government ([Lake Research Partners 2016 Poll](#))
- 86% of Americans favor requiring drug companies to release information to the public on how they set drug prices ([Kaiser 2016 Poll](#))

- 82% of Americans favor allowing the federal government to negotiate with drug companies to get a lower price on medications for people on Medicare ([Kaiser 2016 Poll](#))
- 75% of Americans favor shortening the length of monopoly granted on prescription drugs so that cheaper generic drugs are made available sooner ([Lake Research Partners 2016 Poll](#))
- 87% of Democrats and 66% of Republicans believe that making sure drugs for chronic conditions are affordable should be a top priority for the President and Congress ([Kaiser 2015 Poll](#))
- 51% of registered Republicans want to see government action to reduce prescription drug prices, and more Republicans rank making drugs for chronic conditions affordable a high priority for the next president (66%) than do repealing Obamacare (60%) ([Kaiser 2015 Poll](#))
- 61% of Americans think that lowering the cost of prescription drugs should be a top healthcare priority for the Trump administration and Congress. (Compare to only 37% for repealing the ACA) ([Kaiser 2017 poll](#))

We support SB 442 and salute the committee's efforts to make medicines affordable for all.